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SUBJECT: CANADA: CONSERVATIVES AID JOBLESS, BUY TIME

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¶1. (SBU) Summary: On November 5, the federal Conservatives unexpectedly secured swift final passage of Employment Insurance (E.I.) legislation to extend jobless benefits. The achievement is the key deliverable for the left-of-center New Democratic Party (NDP), which stepped in to prop up the minority government after the Liberals abruptly withdrew their support in September (reftel). Separately, the government is fast-tracking companion E.I. legislation (C-56) to extend maternity and special benefits to the self-employed, as well as pushing a fiscal stimulus bill through the House of Commons. The economic package should be enough to keep NDP support into 2010, buying the government time to craft a spring budget. End summary

PHASE I: HELP LONG-TENURED WORKERS

¶2. (U) The federal government introduced C-50, an E.I. reform bill, on September 16, two days after the House of Commons resumed from its summer recess. Bill C-50 extends the benefit period of regular Employment Insurance (E.I.) payments by up to 20 weeks to unemployed long-tenured workers who had paid premiums to the program for a significant period of time, but had previously made limited or no use of the program. The government estimated the bill will help 190,000 eligible claimants.

¶3. (U) Human Resources Minister Diane Finley emphasized that the time-limited measure was "fair" and "the right thing to do," but also financially prudent as the government "continues to make responsible choices... to meet current needs" without incurring ongoing structural obligations. The Bill extends benefits on a temporary basis until fall 2011. The benefits are in addition to measures in the government's Economic Action Plan announced in the January federal budget which extended an extra five weeks of regular Employment Insurance benefits (E.I.) to all insured workers, increased the benefit period to 50 weeks in regions of high unemployment, and provided additional support for transitional skills training.

A LIBERAL "CHANGE OF HEART"

¶4. (U) With NDP support, the government passed Bill C-50 after 48 days in the House of Commons. Both the Liberals and Bloc Quebecois opposed it on the grounds that it offered too little aid to the jobless. The Bill moved to the Senate or upper house on November 14. Observers had expected the Liberal majority in the unelected Senate to delay or amend it, but the Senate expedited the Bill and

passed it without amendment on November 5. Liberal Senator Joseph Day, the Chair of the Senate National Finance Committee, attributed the quick turn-around to the Committee's "pre-study" of the Bill before it arrived in the Senate. However, he also acknowledged a delay would have elicited "the typical argument that we are not sensitive to the plight of the unemployed."

PHASE II: AID FOR THE SELF-EMPLOYED

¶15. (U) As Phase II of proposed E.I. reform, the government introduced Bill C-56, Fairness for the Unemployed Act, on November 3 to allow self-employed workers to opt into the E.I. plan on a voluntary basis to access maternity, parental leave, sickness, and compassionate care leave. The Bill, which Minister Finley described as "good family policy," fulfills a 2008 Conservative election pledge. The government appears to be fast-tracking the measure which all the opposition parties allowed to pass to committee on November 5 without a recorded vote. Similarly, the government has pushed passage of Bill C-51, the Economic Recovery Act, to implement a popular home renovation tax credit, first-time home buyers' credit, and other fiscal stimulus measures left over from the January federal budget. The Government House Leader confirmed November 5 that the government wants to complete all stages of the Bill in the Commons by November 6.

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¶16. (SBU) Conservative Party contacts told PolMinCouns that the Liberals had had a "change of heart" over Bill C-50, reflecting their inability to obtain any traction in the polls. Conservative contacts believed that their second E.I. bill and the fiscal stimulus bill would be enough to keep NDP support into 2010 and give the government time to craft a spring budget before the next election.

COMMENT

¶17. (SBU) The surprisingly swift passage of C-50 reflects the tortuous line the Liberals have drawn for themselves in reflexively opposing the Conservative minority government while seeking to maintain advocacy for the unemployed. The NDP won a tangible reward for its support and has an incentive to hold on for more. The Conservatives have given little away, but have responded quickly to public anxiety over premature exhaustion of jobless benefits, while reinforcing key messages in their Economic Action Plan. In so doing, the Tories have also moved methodically to dismantle opposition arguments in favor of an election.

JACOBSON